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TOY MANUFACTURERS OF AMERICA

1983 FINANCIAL AND OPERATING RATIO REPORT

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EXECUTIVE SUMMARY

TMA members surveyed this year achieved a Return on Net Worth (RONW) of just under 9 percent. However, a RONW of 15-20 percent is needed in the long term. High performance member firms (upper 25%) were indeed able to achieve a 37 percent return.

Financial Results

Gross Margin was typically 39.5 percent of sales. After operating expenses of 31.8 percent, this produced an operating profit of 7.6 percent. Payroll was the largest operating expense, with 12-14 percent of sales. After 2.2 percent interest expense and taxes, net profit was equal to 2.4%.

Inventory accounted for approximately 25 percent of total assets. Toy Manufacturers in this survey turn over their inventory 4.4 times per year. Accounts Receivable made up 36 percent of total assets. A typical TMA member had 81 days of accounts receivable outstanding by the end of their fiscal year.

Strategic Profile

Discount department stores represent the largest retail customer base with 27 percent of manufacturer's sales. This was followed by toy stores (20%) and general merchandise chains (13%). Fourteen percent of the products sold through wholesalers. Fifty-seven (57) percent of sales were for extended dating terms of 90 days or more.

Most advertising dollars, 70%, were allocated for television. In addition, 82 percent of the firms surveyed provided co-op advertising, and they usually reimbursed 2 percent of total dollars purchased.

High Performance Firms

As pointed out earlier, high profit members as a group achieved a RONW of 36.9 percent. Return on assets for high performers was 15.9 percent.

The largest factor that set this elite group apart was their improved profit margin of 7.9 percent of sales. This was due mainly to commanding a gross margin of 45.3 percent, nearly 6 percent above the norm, and reduced operating expenses of 29.9 percent of sales. Another related factor that contributed to high performers' success was their ability to generate more sales per dollar invested in inventory (9.8 times). Coupled with gross margin, these firms achieved a Gross Margin Return on Inventory of 429 percent.

A total of 69 companies returned questionnaires of this year's survey. Fifty-nine (59) of those had detailed enough financial results to be useful. The high profit group was composed of the upper 25 percent based on Return on Assets.

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STRATEGIC PROFIT MODEL

One of the many challenges that face manufacturers is determining how much money the firm should make. Clearly, every firm wants to make "as much as possible" and most executives lament that their firms don't make nearly "as much as we should." Within these extremes, however, there is still the problem of relating actual results to desired targets.

The problem is that there are few systems that provide sufficient guidance for manufacturers in the planning process. This section presents a planning model and the performance levels achieved in 1983 by toy manufacturers.

THE STRATEGIC PROFIT MODEL

Probably the most useful device yet developed to help manufacturers evaluate past results and plan for the future is something called the strategic profit model. The model suggests that there are three ways to improve performance.

MARGIN MANAGEMENT (Box A in the model) measures the relationship between net profits after taxes and net sales. In the example in the model, profit margin is 2.7 percent. That is, for every $1.00 in sales, the firm produces 2.7 cents of profits after taxes.

ASSET MANAGEMENT (Box B in the model) reflects how effectively the firm utilizes its investment to create sales. The logic of asset management says that the firm has a lot of money invested in the business. One way to be more successful is to take a given level of assets and generate as much sales volume as possible. The measure of success in doing so is called asset turnover. The firm shown in the model has an asset turnover ratio of 1.6 times. That means that the firm generates $1.60 in sales for every $1.00 invested in assets.

If profit margin is multiplied times asset turnover, the result is return on assets, a useful intermediate measure of performance. In the model, 2.7 percent times 1.6 equals 4.3 percent. This means that every $1.00 invested in assets produces 4.3 cents of profits after taxes.

Profit Model Ratios	All Firms	High Profit Firms	Publicly Held Firms	Private Firms
Profit Margin Net Profit ÷ Net Sales	2.7%	7.9%	2.5%	2.7%
Asset Turnover Net Sales ÷ Total Assets	1.6	2.0	1.5	1.7
Return on Assets Net Profit ÷ Total Assets	4.3%	15.9%	3.6%	4.5%
Financial Leverage Total Assets ÷ Net Worth	2.0	2.2	1.5	2.1
Return on Net Worth Net Profit ÷ Net Worth	8.6%	36.9%	5.5%	9.9%

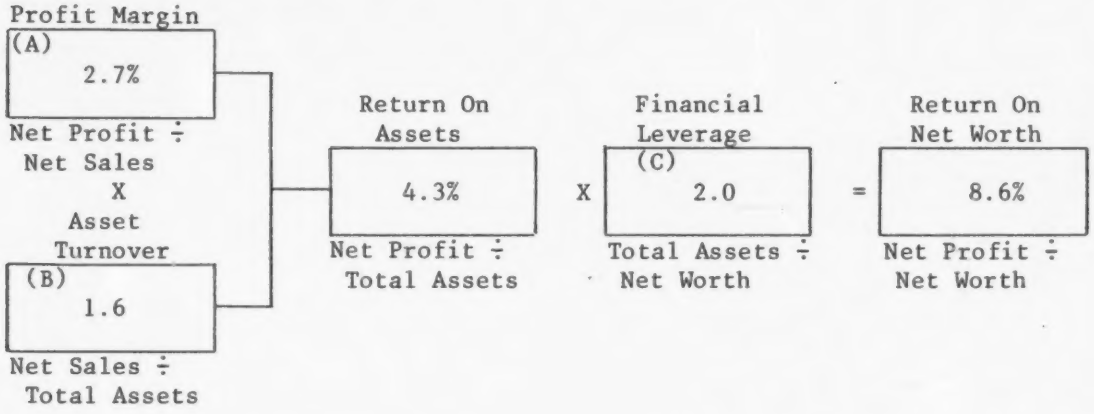
FINANCIAL MANAGEMENT (Box C in the model) is the final method for improving performance. It reflects how effectively the firm utilizes outside financing. The ratio is measured by taking total assets (the total investment in the firm) and dividing by net worth (the owners' investment). In the model, the financial leverage ratio is 2.0 times. This means that the owners only had to invest $1.00 to produce $2.00 in total assets. The obvious implication is that the other $1.00 is provided by outsiders.

When return on assets is multiplied by financial leverage, the result is return on net worth, the most important ratio on the exhibit. In the illustration, 4.6 percent times 2.0 equals 8.6 percent. This means that every $1.00 invested by the owners produces 8.6 cents of profits after taxes.

UTILIZING THE MODEL

The Strategic Profit Model serves three primary purposes in assisting management. First, it provides a useful reporting mechanism for evaluating past performance. Second, the model helps clarify the trade-offs involved in particular decision situations. Finally, the model is an invaluable aid to the annual planning process. By starting with a target level of return on net worth and working backwards, performance targets for all key areas of the business can be set.

STRATEGIC PROFIT MODEL --A Graphic Presentation



Sales Volume			
Under $7 Mil	$7 Mil to $35 Mil	Over $35 Mil	Profit Model Ratios
1.6%	3.6%	2.7%	Profit Margin Net Profit ÷ Net Sales
1.6	1.8	1.6	Asset Turnover Net Sales ÷ Total Assets
2.6%	6.5%	4.3%	Return on Assets Net Profit ÷ Total Assets
2.5	1.9	1.7	Financial Leverage Total Assets ÷ Net Worth
6.4%	10.3%	6.[illegible]%	Return on Net Worth Net Profit ÷ Net Worth

SETTING TARGET LEVELS

What type of results should a manufacturer be able to achieve? In order to answer that question, one must consider the return that could be earned in risk-free investments such as government securities. Then you must consider the additional risk associated with your business investment. Generally, the higher the risk, the higher the return that should be achieved.

Last year, toy manufacturers surveyed typically achieved only an 8.6 percent Return on Net Worth. High profit firms, however, managed an impressive 36.9 percent return. High performance companies for the purpose of this report were those in the upper 25 percent of Return on Assets. Return on Assets was used because it is the best productivity measure based on everything invested in the business. The high performance group consisted of one of every four TMA members that participated in this year's survey. So the high performance figures are realistic goals for most, if not all, toy manufacturers.

DETERMINATES OF PROFITABILITY

One of the most important reasons for conducting an Operating Ratio Survey is to determine what makes high performance firms more successful than a typical company. This section of the report will examine operating characteristics that seem to contribute to high profitability.

When examining the strategic profit model, results indicate that there are two key areas to consider in achieving high performance--profit margin and asset turnover. In evaluating profit margin results, it is useful to review a simplified income statement for a typical and a high profit toy manufacturer:

	Typical	High Profit
Net Sales	100.0%	100.0%
Cost of Goods Sold	60.4	54.7
Gross Margin	39.6	45.3
Expenses		
Payroll Salaries & Benefits	13.8	11.2
Advertising, R&D	7.3	6.7
Occupancy	1.8	1.2
All Other	16.1	13.8
Total Expenses	35.4	32.9
Profit Before Taxes	4.2%	12.4%

The analysis quickly suggests that the only areas in which large improvement opportunities exist are cost of goods sold and payroll. The small size of most other categories means that most improvements will have only a minimal impact on the income statement. In fact, high profit firms earned nearly 6% better gross margin and managed operating expenses 3% lower than a typical manufacturer. Productivity figures show that high profit firms did not achieve their lower operating characteristics by paying lower wages. Their employees were simply more productive.

Asset productivity figures show similar results. High performers generated more sales given the resources available. The upper group generated $9.80 in sales for each $1.00 invested in inventory, compared with a typical company that generated only $7.10 in sales of each dollar of inventory. Inventory turnover (COGS/INventory) was also better, 5.6 vs. 4.4 turns.

PUBLIC vs. PRIVATE COMPANIES

For the first time, this year's report examines the operating characteristics of publicly held firms compared to privately held firms. The primary difference between the two groups in achieving Return on Net Worth (5.5% for public vs. 9.9% for private) was financial leverage (1.5 vs. 2.1) Possibly due to pressure from the stock market, publicly held firms were extremely conservatively financed. Most financial analysts agree that a leverage ratio of 2.0 is quite respectable.

Both groups achieved approximately the same net profit, yet they earned that profit with differing operating characteristics. Private firms earned better gross margin, but they lost that advantage due to higher operating expenses. Operating expenses were higher partially due to higher payroll expense, particularly sales and administrative salaries. On the other hand, public companies spent dramatically more on advertising (10.6% vs. 4.0%). This was, no doubt, primarily due to a difference in the ad medium used. Publicly held firms allocated 76 percent of their ad budget to television while private companies spent only 51 percent of advertising on TV. Public companies also offered more co-op advertising.

Asset productivity was slightly better among private companies, primarily due to higher inventory productivity (3.9 turns public vs. 4.9 turns private) and a shorter accounts receivable collection period (84 days vs. 77 days). The improved collections may have been due to differences in terms. Public firms sold 69 percent of their products for extended datings of 90 days or more versus only 45 percent among private firms.

INCOME STATEMENT

The income statement is probably most interesting to most readers, as indeed it should be, since without positive profit, all other ratios are basically meaningless. The largest factor that separates high performance firms from typical companies was their higher level of profitability. Three major expense categories become obvious by examining the income statement: Cost of Goods Sold, Payroll and Advertising. Because these are the largest expenses a company faces, improvements in these areas will most affect bottom-line profit.

GROSS MARGIN

Cost of Goods Sold is the largest expense a manufacturer faces, so it also offers the greatest improvement opportunity. Most companies today have fairly good buying systems. Yet, high profit firms managed to buy a little better and/or sell a little higher to achieve over a 5 percent improvement in Gross Margin. Just as last year, high profit firms earned a 45 percent Gross Margin compared to 40 percent for a typical company.

	All Firms	High Profit Firms	Publicly Held Firms	Private Firms
Gross Sales	104.5%	104.4%	106.1%	104.0%
Returns and Allowances	2.8	3.0	3.4	2.3
Discounts	1.7	1.4	2.7	1.7
Total Deductions	4.5	4.4	6.1	4.0
Net Sales	100.0	100.0	100.0	100.0
Cost of Goods Sold	60.4	54.7	61.3	59.5
Gross Profit	39.6	45.3	38.7	40.5
Operating Expenses				
Admin. Salaries & Wages	5.0	3.6	3.1	5.7
Sales Salaries & Commissions	4.5	4.1	2.8	4.8
All Other Payroll	2.3	1.8	2.3	2.2
Payroll Taxes & Benefits	2.0	1.8	2.0	1.9
Advertising	6.1	5.9	10.6	4.0
Research & Development	1.2	.8	1.9	.8
Utilities & Telephone	.9	.9	.8	.9
Occupancy Expenses	1.8	1.2	1.4	1.9
Depreciation	.8	1.0	.8	.8
Bad Debt Losses	.8	.9	.7	.8
All Other Operating Expenses	7.6	7.9	5.3	9.9
Total Operating Expenses	33.0	29.9	31.7	33.7
Profit From Operations	6.6%	15.4%	7.0%	6.8%
Other Income:				
Royalty Income	.1	*	.9	.0
Other Income	.5	.9	.9	.3
Other Expenses				
Interest Expense	1.9	1.4	1.6	2.1
Royalty Expense	.9	2.0	2.5	.6
Other Expenses	.2	.5	.1	.6
Net Profit Before Taxes	4.2	12.4	4.6	3.8
Income Taxes	1.5	4.5	2.1	1.1
Net Profit After Taxes	2.7%	7.9%	2.5%	2.7%

* = Less than .1 percent of sales

PAYROLL

Payroll is 10-16 percent of the sales and the second largest expense that confronts a firm. High profit firms had lower payroll expense due to their higher employee productivity and not due to lower wage rates. It is also interesting to note that payroll expense decreased as a company got larger. Also, public firms had lower payroll expenses than private ones.

ADVERTISING

Both typical firms and high profit firms spent approximately 6 percent of sales for advertising in 1983. It is interesting to note the large spending difference between publicly held companies (10%) and private firms (4%). Large companies also devoted a large portion of their budget (13.5%) to promote their products.

ROYALTY EXPENSE

It is worth pointing out that high profit firms paid more royalties than a typical firm. Perhaps some firms are better at promoting a product after it has been conceived by another company. Public firms also paid about three times as much royalty expense as private firms, even though their bottom-line profitability was approximately the same.

Sales Volume			
Under $7 Mil	$7 Mil to $35 Mil	Over $35 Mil	
104.5%	103.3%	106.1%	Gross Sales
2.8	1.8	3.9	Returns & Allowances
1.7	1.5	2.2	Discounts
4.5	3.3	6.1	Total Deductions
100.0	100.0	100.0	Net Sales
59.0	66.0	54.7	Cost of Goods Sold
41.0	34.0	45.3	Gross Profit
			Operating Expenses
6.3	4.6	3.1	Admin. Salaries & Wages
6.0	4.6	2.3	Sales Salaries & Comm.
1.9	2.6	2.3	All Other Payroll
1.8	2.4	1.8	Payroll Taxes & Benefits
3.1	4.0	13.5	Advertising
.4	.9	2.6	Research & Development
1.3	.9	.6	Utilities & Telephone
2.6	1.5	1.1	Occupancy Expenses
1.0	.8	.7	Depreciation
.9	.6	.7	Bad Debt Losses
10.0	8.4	6.0	All Other Operating Expenses
35.3	27.3	34.7	Total Operating Expenses
5.7%	6.7%	10.6%	Profit From Operations
			Other Income:
.1	.1	.1	Royalty Income
.2	.8	.7	Other Income
			Other Expenses
2.6	1.8	2.0	Interest Expense
.6	.5	3.6	Royalty Expense
*	*	.5	Other Expenses
2.8	5.3	5.3	Net Profit Before Taxes
1.2	1.7	2.6	Income Taxes
1.6%	3.6%	2.7%	Net Profit After Taxes

* = Less than .1 percent of sales

BALANCE SHEET

ASSETS

INVENTORY

As may be expected in a recovery year like 1984, year-end inventory was down compared to one year ago and accounts receivable were up. Inventory made up 26 percent of total assets in 1983 vs. 30 percent in 1982. Inventory productivity also improved by nearly one full turn per year.

ACCOUNTS RECEIVABLE

Accounts receivable on the other hand, grew to 36 percent of assets compared to 32 percent in '82. More disturbing was the fact that the average collection period grew to 81 days vs. 66 days a year ago.

	All Firms	High Profit Firms	Publicly Held Firms	Private Firms
ASSETS				
Current Assets:				
Cash & Marketable Securities	5.2%	13.7%	4.8%	4.9%
Accounts Receivable (Net)	36.1	40.6	33.2	37.9
Inventories	25.7	21.4	23.7	26.5
All Other Current Assets	11.6	8.3	13.2	12.5
Total Current Assets	78.6	84.0	74.9	81.8
Fixed Assets	21.1	15.8	23.8	18.2
Total Tangible Assets	99.7	99.8	98.7	100.0
Intangible Assets	.3	.2	1.3	.0
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%
LIABILITIES AND NET WORTH				
Current Liabilities:				
Accounts Payable--Trade	11.7%	12.2%	8.5%	12.2%
Notes Payable	7.1	11.2	1.0	12.0
All Other Current Liabilities	20.2	20.2	12.6	20.9
Total Current Liabilities	39.0	43.6	22.1	45.1
Long Term Debt	10.2	10.0	11.2	8.5
Net Worth	50.8	46.4	66.7	46.4
TOTAL LIABILITIES & NET WORTH	100.0%	100.0%	100.0%	100.0%

LIABILITIES AND NET WORTH

ACCOUNTS PAYABLE

Accounts payable remained at approximately 11 percent of total assets again this year. This indicates that while manufacturers were able to reduce their own inventories, they still made use of the same amount of supplier resources to finance those inventories. The accounts payable-to-inventory ratio shows that suppliers financed 45-50 percent of a manufacturer's inventory.

LIABILITIES AND NET WORTH

Net Worth or Owner Equity is the capital invested in a firm by the owner or stockholders of a company. Net Worth then is the amount of capital that depends on profit to determine return on investment. Stated differently, all capital invested in a company other than net worth has a fixed interest rate or rate of return associated with it. Therefore, in order to maximize return on investment, owners should invest as little as possible, yet still remain financially sound. In 1983, owner/stockholders provided 51 percent of the capital required to run a company.

Sales Volume			
Under $7 Mil	$7 Mil to $35 Mil	Over $35 Mil	
			ASSETS
			Current Assets:
5.2%	5.2%	4.8%	Cash & Securities
37.3	32.6	40.1	Accounts Receivable
30.5	26.4	20.4	Inventories
14.9	10.3	11.2	All Other Current Assets
87.9	74.5	76.5	Total Current Assets
12.0	25.1	23.2	Fixed Assets
99.9	99.6	99.7	Total Tangible Assets
.1	.4	.3	Intangible Assets
100.0%	100.0%	100.0%	TOTAL ASSETS
			LIABILITIES & NET WORTH
			Current Liabilities:
15.6%	11.6%	9.7%	Accounts Payable--Trade
19.8	3.7	6.3	Notes Payable
15.2	16.6	18.2	Other Current Liabilities
50.6	31.9	34.2	Total Current Liabilitie
11.5	16.1	6.1	Long Term Debt
37.9	52.0	59.7	Net Worth
100.0%	100.0%	100.0%	TOTAL LIABILITIES & NET WORTH

FINANCIAL RATIO ANALYSIS

LIQUIDITY RATIOS

CURRENT RATIO = Current Assets ÷ Current Liabilities

The current ratio measures the extent to which short-term liabilities are covered by assets and could be converted to cash in a relatively short period. Most financial analysts suggest a current ratio of around 2.0 is desirable.

QUICK RATIO = (Cash + Securities + Accounts Receivable) ÷ Current Liabilities

This measures liquidity excluding inventory, which is typically the least liquid current asset. A reasonable target is 1.0 times.

CASH TO CURRENT LIABILITIES

This ratio measures a firm's ability to pay off current liabilities with cash. Generally, cash should equal 10 to 20 percent of current liabilities.

ACCOUNTS PAYABLE TO INVENTORY

The final liquidity ratio measures the extent to which suppliers finance inventories. Supplier financing can be a significant source of capital.

	All Firms	High Profit Firms	Publicly Held Firms	Private Firms
Current Ratio	2.1	1.9	3.1	1.9
Quick Ratio	1.2	1.3	1.7	1.0
Cash to Current Liabilities	10.3%	38.8%	17.5%	10.6%
Accounts Payable to Inventory	43.4%	54.4%	40.2%	44.7%
Earning Power Ratios				
Earnings Before Interest & Taxes To Total Assets	11.8%	32.7%	9.6%	11.8%
Times Interest Earned	2.8	8.3	3.9	2.9

EARNING POWER RATIOS

EARNINGS BEFORE INTEREST AND TAXES TO TOTAL ASSETS

EBIT divided by Total Assets gives a measure of return based on earning that is actually used to operate a business. That is, interest expense and taxes are not employed in the actual operation of a business as other operating expenses are.

Increases or decreases in this ratio evaluate how a firm is managing its operation. If a company's Return on Assets and/or Return on Net Worth are increasing while at the same time EBIT to Total Assets is decreasing, that company is relying more heavily on outside financing rather than improved business operations. This is not to imply that use of outside capital to improve return on investment is all bad--it's not. What you must do, however, is maintain a reasonable financial balance sheet.

TIMES INTEREST EARNED

The times-interest-earned ratio is determined by dividing earnings before interest and taxes by interest charges. This ratio measures the extent to which earnings can decline without a firm being unable to meet annual interest costs. A ratio below 1.0 means that firms are paying more in interest than they are earning from their operations.

Sales Volume			
Under $7 Mil	$7 Mil to $35 Mil	Over $35 Mil	Liquidity Ratios
1.7	2.4	2.3	Current Ratio
1.0	1.3	1.4	Quick Ratio
9.6%	15.0%	10.6%	Cash to Current Liabilities
47.7%	43.3%	49.4%	Accounts Payable/Inventory
			Earning Power Ratios
11.2%	14.1%	13.4%	Earnings Before Interest & Taxes to Total Assets
2.1	4.0	3.5	Times Interest Earned

13.

PRODUCTIVITY RATIOS

ACCOUNTS RECEIVABLE MANAGEMENT

AVERAGE COLLECTION PERIOD (DAYS)

This ratio is calculated by dividing year-end accounts receivable by net sales per day. The average collection period for a typical manufacturer was 81 days. The collection period lengthened 15 days during the last year. While the economic recovery began to take hold in 1983, retailers still had cash flow problems and unfortunately manufacturers had to carry their receivables a longer period of time.

INVENTORY MANAGEMENT

INVENTORY TURNOVER

Cost of Goods Sold to Inventory gives Inventory Turnover. Inventory productivity was one of the brighter statistics in this year's survey. Most manufacturers turned over their inventory 4.0-4.5 times in 1983. This was a .5-1.0 improvement over 1982.

SALES TO INVENTORY

Net Sales divided by Inventory is called the sales to inventory ratio. This ratio tells how many dollars of sales the firm generates from each dollar of inventory. A typical company generated $7.10 in sales for each $1.00 invested in inventory. High profit firms, on the other hand, were able to generate an additional $2.70 or $9.80 in sales for each dollar of inventory.

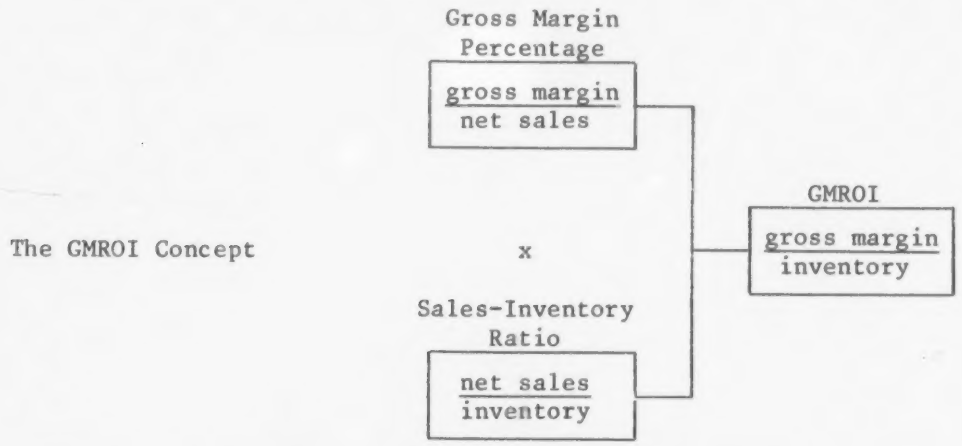
GROSS MARGIN RETURN ON INVENTORY

Gross Margin divided by Inventory times 100 percent is equal to Gross Margin Return on Inventory (GMROI). GMROI gives an easy, though somewhat crude, measure of profitability per dollars invested in inventory. It is most useful when attempting to compare merchandise profitability exclusive of operating expenses.

	All Firms	High Profit Firms	Publicly Held Firms	Private Firms
Accounts Receivable Management				
Average Collection Period (Days)	81	82	84	77
Inventory Management				
Inventory Turnover	4.4	5.6	3.9	4.9
Sales to Inventory	7.1	9.8	6.5	8.1
Gross Margin Return on Inventory	263.1%	429.6%	235.3%	274.3%
Employee Productivity				
Sales/Employee	$94,460	$110,980	$94,460	$101,180
Sales/Salesman	$1,830,430	$2,045,120	$3,043,010	$1,158,500

GROSS MARGIN RETURN ON INVENTORY

Notice, in the model below, that GMROI may also be calculated by multiplying gross margin by the sales-to-inventory ratio. In simplest terms, GMROI demonstrates that there are two ways to improve the merchandising performance of an individual item, category or department. The first way is to improve profit, as measured by the gross margin percentage. The second is to invest dollars in inventory more productively, as measured by the sales to inventory ratio.



EMPLOYEE PRODUCTIVITY

SALES PER EMPLOYEE

Measures productivity of all employees in the firm. Employee productivity showed about a 12 percent improvement in 1983 over the previous year.

SALES PER SALESMAN

Measures salesman productivity.

Sales Volume			
Under $7 Mil	$7 Mil to $35 Mil	Over $35 Mil	
			Accounts Receivable Mgmt.
78	69	84	Average Collection Period
			Inventory Management
3.1	4.3	4.6	Inventory Turnover
4.7	6.9	8.1	Sales to Inventory
196.1%	245.4%	425.9%	GMROI
			Employee Productivity
$73,840	$88,390	$180,950	Sales/Employee
$450,500	$2,156,060	$4,429,620	Sales/Salesman

ADVERTISING PROFILE

ADVERTISING EXPENDITURE BY TYPE OF MEDIUM

The advertising characteristics shown on this page represent aggregate industry expenditures and not necessarily the ad budget for a typical toy manufacturer. Television spending was dominated primarily by large, publicly held companies. While the profile figures below show that 70 percent of industry advertising dollars was spent on TV, in fact, only about one in three companies surveyed spent any money at all on television. That is, two-thirds of the firms surveyed spent their advertising dollars in some medium other than TV.

Magazines, on the other hand, received only 16 percent of the industry ad budget. Yet, four of five firms surveyed spent at least part of their promotional dollars on magazines.

Direct Mail was relatively popular for small manufacturers with limited ad budgets.

Advertising Expenditure By Type of Medium	All Firms	High Profit Firms	Publicly Held Firms	Private Firms
Spot or Local Television	43%	44%	46%	32%
Network Television	27	30	30	19
Magazines	16	16	12	28
Newspapers	6	2	7	2
Radio	*	*	*	*
Outdoor	1	0	0	*
Direct Mail	1	1	1	1
Other	6	7	4	17
	100%	100%	100%	100%
Percent of Companies Providing Co-op Advertising	82%	73%	95%	77%
Co-op Reimbursement Policy Basis				
Dollar Sales Volume	85%	73%	90%	83%
Unit Sales Volume	4	18	0	6
Other	11	9	10	11
	100%	100%	100%	100%
Co-op Reimbursement Rate				
1%	7%	11%	12%	4%
2%	50	56	47	54
3%	20	11	23	18
4%	7	11	6	7
5%	16	11	12	18
	100%	100%	100%	100%

CO-OP ADVERTISING

Seventy-five to eighty percent of companies surveyed provided co-op advertising for their customers. The vast majority of these manufacturers based their co-op reimbursement on the dollar volume of sales a customer had purchased. Most companies would reimburse two percent of total purchases. Small manufacturers, however, reimbursed up to five percent of sales. Smaller companies in general had to offer higher co-op incentives in order to attract customers and be more competitive dollar-wise with companies producing larger volume sales.

Sales Volume			
Under $7 Mil	$7 Mil to $35 Mil	Over $35 Mil	Advertising Expenditure By Type of Medium
0%	28%	46%	Spot or Local Television
8	7	30	Network Television
41	39	12	Magazines
8	*	7	Newspapers
*	*	0	Radio
0	1	0	Outdoor
18	1	1	Direct Mail
25	24	4	Other
100%	100%	100%	
			Percent of Companies
72%	86%	84%	Providing Co-op Advertisi
			Co-op Reimbursement Polic
85%	79%	88%	Dollar Sales Volume
7	5	0	Unit Sales Volume
8	16	12	Other
100%	100%	100%	
			Co-op Reimbursement Rate
0%	6%	17%	1%
34	63	58	2%
25	12	25	3%
8	6	0	4%
33	13	0	5%
100%	100%	100%	

CUSTOMER PROFILE

SALES BY CUSTOMER

Among the companies participating in this year's survey, over one-fourth of their sales were to discount department stores. It should be noted that these figures reflect manufacturers' sales and not necessarily retail sales. This is particularly noteworthy since 14 percent of sales were to wholesalers who may also, no doubt, call on discount department stores.

Specialty toy stores purchased 20 percent of the products. The only other retail customers to amount to more than ten percent of sales were general merchandise chains which accounted for 13 percent.

Sales By Customer	All Firms	High Profit Firms	Publicly Held Firms	Private Firms
Wholesalers	14	10	15	12
Discount Dept. Stores (K mart, Target, etc.)	27	30	27	28
Department Stores	5	2	5	5
General Merchandise Chains (Sears, Penneys, Wards)	13	13	14	10
Toy Stores	20	21	20	18
Variety Stores	3	3	3	4
Catalog Showrooms	8	8	8	6
Other Retail Stores	10	13	8	17
	100%	100%	100%	100%
Percent of Sales for Extended Dating (90 Days or More)	57%	50%	69%	45%

SALES FOR EXTENDED DATINGS

Fifty-seven percent of all sales were for extended datings of 90 days or more. This, of course, reflects the long lead time necessary to prepare for the Christmas season.

Sales Volume			
Under $7 Mil	$7 Mil to $35 Mil	Over $35 Mil	Sales By Customer
11%	18%	14%	Wholesalers
16	33	26	Discount Dept. Stores (K mart, Target, etc.)
5	5	5	Department Stores
14	8	13	General Merchandise Chains (Sears, Penneys, Wards)
31	15	21	Toy Stores
3	6	3	Variety Stores
7	4	8	Catalog Showrooms
13	11	10	Other Retail Stores
100%	100%	100%	
60%	45%	57%	Percent of Sales for Extended Dating (90 Days or More)

OPERATING TRENDS

The following tables summarize the key operating percentages for the past six years as reported by participating members. The operating trends were compiled from information furnished by the current year's cooperating members, some of which may not have participated in prior years' projects.

SALES INCREASES - Percentage of Prior Year Sales

Annual Sales	1978	1979	1980	1981	1982	1983
Under $7 Million	33.3	113.6	19.7	193.4	-5.5	31.6
$7 to $35 Million	7.8	18.8	2.7	9.8	-5.5	8.9
Over $35 Million	12.7	25.3	9.9	13.8	-.1	0.0
All Companies	12.1	24.6	9.0	13.5	-.6	9.8

GROSS PROFITS - Percentage of Sales

Annual Sales	1978	1979	1980	1981	1982	1983
Under $7 Million	27.3	57.5	40.5	39.0	40.2	41.0
$7 to $35 Million	31.7	30.9	30.4	33.1	34.7	34.0
Over $35 Million	39.2	41.8	41.4	43.9	43.4	45.3
All Companies	38.3	40.5	40.3	42.8	39.5	39.6

OPERATING EXPENSES - Percentage of Sales

Annual Sales	1978	1979	1980	1981	1982	1983
Under $7 Million	158.0	64.9	88.2	41.9	38.4	35.3
$7 to $35 Million	21.9	22.2	24.5	23.8	27.7	27.3
Over $35 Million	28.6	29.6	31.1	31.2	36.0	34.7
All Companies	27.9	28.8	30.5	30.5	31.9	33.0

INCOME BEFORE INCOME TAXES - Percentage of Sales

Annual Sales	1978	1979	1980	1981	1982	1983
Under $7 Million	-138.6	-12.2	-40.1	-8.7	.2	2.8
$7 to $35 Million	8.6	6.9	3.6	6.3	4.7	5.3
Over $35 Million	8.5	10.6	7.8	9.8	3.6	5.3
All Companies	8.5	10.2	7.3	9.3	4.6	4.2